



Jerry E. Abramson
Mayor

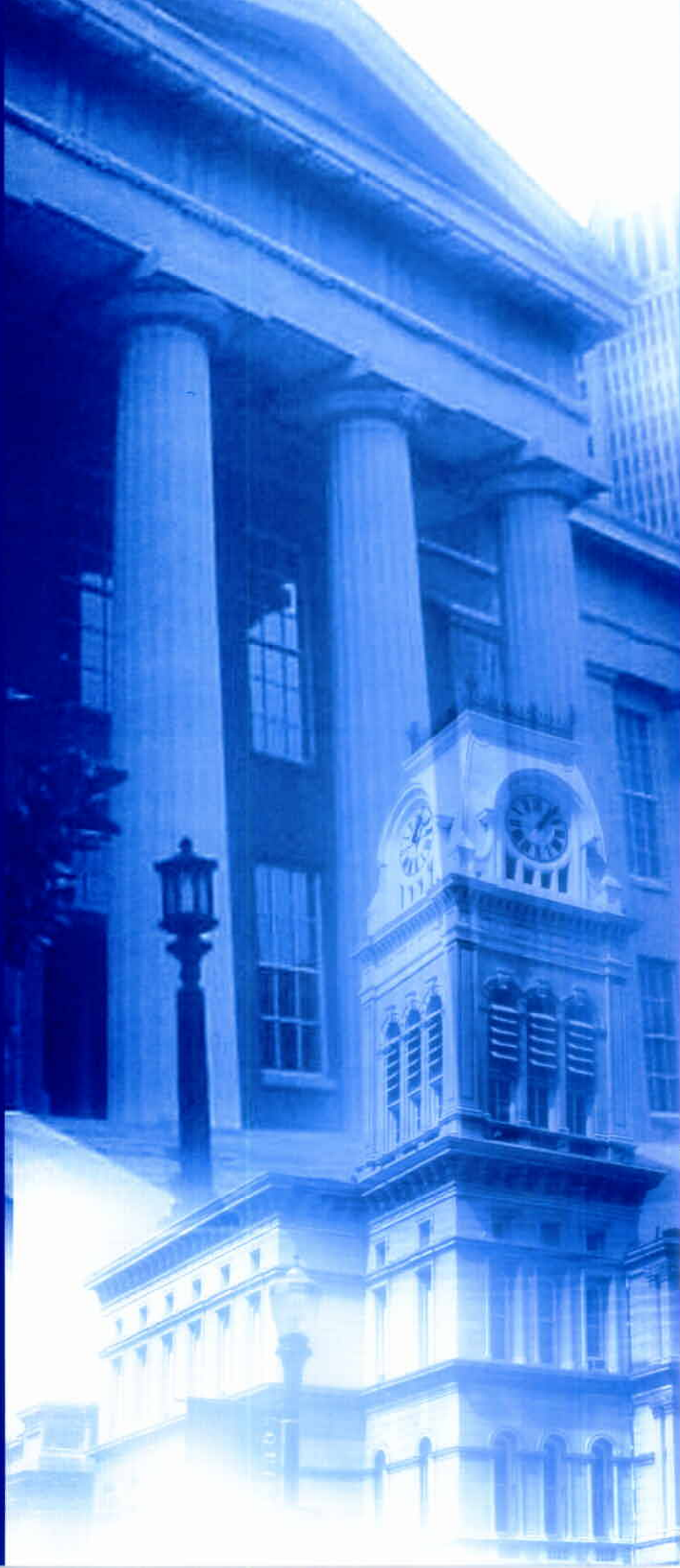
26 Member
Metro Council

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Office of Internal Audit

Metro Corrections

Inmate Account





Audit Report

Metro Corrections

Inmate Account

September 2005

Table of Contents

Transmittal Letter	2
Introduction	2
Scope	3
Opinion	3
Corrective Action Plan	4
Internal Control Rating.....	5
Background.....	6
Summary of Audit Results	6
Observations and Recommendations.....	8
#1 General Administration	9
#2 Monitoring and Reconciliation.....	11
#3 Community Corrections Center (CCC) Activity	13
#4 Booking Fee Activity.....	15
#5 Routine Activity	17
Department of Corrections Response	19

Transmittal Letter

September 12, 2005

The Honorable Jerry E. Abramson
Mayor of Louisville Metro
Louisville Metro Hall

Re: Audit of Metro Corrections Inmate Account

Introduction

We have examined the operating records and procedures associated with the administration of the Louisville Metro Department of Corrections inmate account. The primary focus of the audit was the operational and fiscal administration of the inmate account. This included how Corrections processes, records, and monitors the activity. This was a scheduled audit.

The inmate account is used by Metro Corrections to provide all inmates a money account. The account reflects all monies found on a person upon entry into a Corrections facility, as well as monies placed on their account from outside sources (i.e. family, friends). The account is also used to track debts an inmate may incur, such as booking fees, room and board payments, commissary purchases, and such. The account is an off-books account since the funds belong to the inmates, not Metro Government. However, some activity processed through the inmate account does result in an expense or revenue for Corrections. The following notes specific activity processed through the inmate account and the corresponding budget for fiscal year 2005.

Source	Purpose	Metro Budget
Inmate Deposits	Commissary	\$275,000 Revenue
Community Corrections Center (CCC) Rent	Participation in work release	\$365,000 Revenue
Home Incarceration Program (HIP)	Participation in HIP	\$525,000 Revenue
Booking Fees	Charge for inmates entering facility	\$500,000 Revenue
Work Aid Program	Pay to inmates performing duties for facility	\$165,000 Expense

Corrections personnel track individual inmate account activity through the computerized Inmate Management System (IMS).

As a part of our examination, we performed an evaluation of the internal control structure. Our examination was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

The objective of internal control is to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- Achievement of business objectives and goals
- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Safeguarding of assets

There are inherent limitations in any system of internal control. Errors may result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personnel factors. Some controls may be circumvented by collusion. Similarly, management may circumvent control procedures by administrative oversight.

Scope

The operating procedures for administering the inmate account were reviewed through interviews with key personnel. The operational and fiscal administration of activity was reviewed. The scope and methodology of the areas reviewed will be addressed in the Observations and Recommendations section of this report. Our examination would not reveal all weaknesses because it was based on selective review of data.

Opinion

The internal control rating for each area reviewed is on page 5. These ratings quantify our opinion regarding the internal controls used in managing the activity and identify areas requiring corrective action.

It is our opinion that the overall internal control structure for the administration of Correction's inmate account activity is weak. There were some specific problems noted that indicate the internal control structure could be more effective. Examples of the problems include the following.

- **Policies and procedures.** Functional operating policies and procedures are somewhat outdated. Some processes are not consistently addressed or may not be addressed at all. This may lead to inconsistencies and inefficiencies with processing.
- **Segregation of Duties.** There is not adequate segregation of duties with regards to the processing of daily inmate account activity. One person can key transactions, run system activity reports, and reconcile funds to account activity.


- **Monitoring and Reconciliation.** Monitoring and reconciliation of inmate account activity is weak. This lack of oversight does not adequately protect the funds and weakens the reliability of activity statements.
- **Community Corrections Center Activity.** Inmate account activity processed at the Community Corrections Center may not be administered in the most efficient manner. Deposits may be unnecessarily delayed and accountability over funds is weakened.
- **Booking Fees.** There is no tracking mechanism in place for the collection of inmate booking fees. Booking fees are revenue due to Metro Corrections.

The implementation of the recommendations in this report will help improve the internal control structure and effectiveness of Correction's inmate account activity.

Corrective Action Plan

The Department of Correction's corrective action plan demonstrates a commitment to addressing the issues noted to ensure sound fiscal administration of activity. The corrective action plan is included in this report as responses in the Observations and Recommendations section. We will assist Corrections as necessary to ensure the corrective actions are effective.

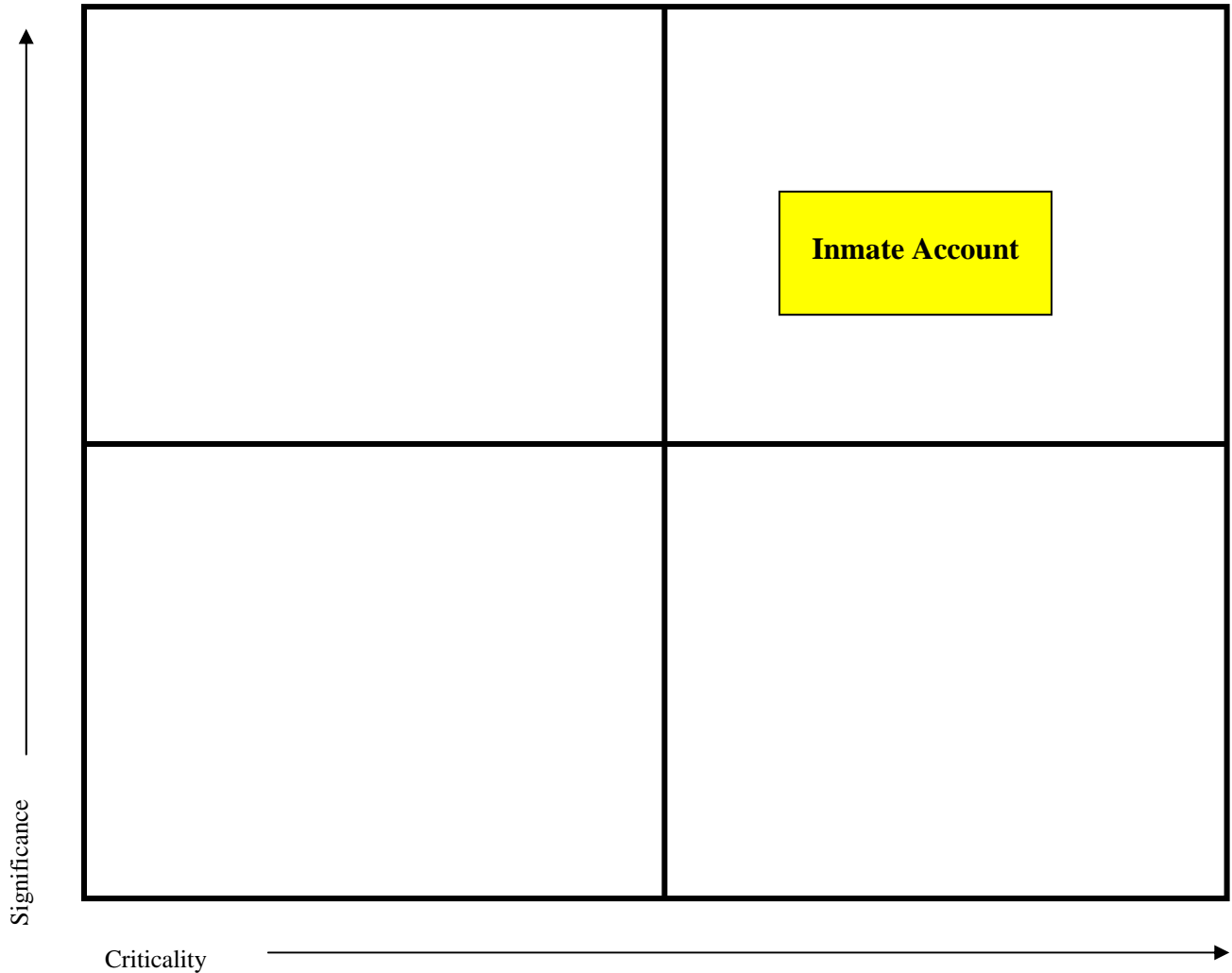
Sincerely,



Michael S. Norman, CIA
Chief Audit Executive

cc: Louisville Metro Council Audit Committee
Louisville Metro Council Members
Deputy Mayors
Secretary of Cabinet for Public Protection
Director of Department of Corrections

Internal Control Rating



<i>Legend</i>			
<i><u>Criteria</u></i>	<u>Satisfactory</u>	<u>Weak</u>	<u>Inadequate</u>
<i>Issues</i>	Not likely to impact operations.	Impact on operations likely contained.	Impact on operations likely widespread or compounding.
<i>Controls</i>	Effective.	Opportunity exists to improve effectiveness.	Do not exist or are not reliable.
<i>Policy Compliance</i>	Non-compliance issues are minor.	Non-compliance issues may be systemic.	Non-compliance issues are pervasive, significant, or have severe consequences.
<i>Image</i>	No, or low, level of risk.	Potential for damage.	Severe risk of damage.
<i>Corrective Action</i>	May be necessary.	Prompt.	Immediate.

Background

The Louisville-Metropolitan Department of Corrections enhances public safety by controlling and managing offenders in a safe, humane, and cost-efficient manner, consistent with sound correctional principles and constitutional standards. The department's goal is to assess offenders' needs and provide services to assist them as they transition into the correctional system or back into the community.

Metro Corrections provides all inmates a money account. The account reflects all monies found on a person upon entry into a Corrections facility, as well as monies placed on their account from outside sources (i.e. family, friends). The account is also used to track debts an inmate may incur, such as booking fees, room and board payments, commissary purchases, and such. The account is an off-books account since the funds belong to the inmates, not Metro Government. The May 2005 balance for the inmate account was approximately \$303,600. The fiscal year 2005 budget for Corrections was approximately \$37.6 million.

This was a scheduled audit.

Summary of Audit Results

I. Current Audit Results

See Observations and Recommendations section of this report.

II. Prior Audit Issues

The Office of Internal Audit has not previously audited the Corrections inmate account.

III. Statement of Auditing Standards

Our audit was performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

IV. Statement of Internal Control

We conducted a formal study of the internal control structure in order to obtain a sufficient understanding to support our final opinion.

V. Statement of Irregularities, Illegal Acts, and Other Noncompliance

Our examination did not disclose any instances of irregularities or any indications of illegal acts. However, during the audit it was brought to our attention that some questionable charges had posted to the inmate bank account that could indicate illegal

acts. Appropriate law enforcement personnel are currently investigating the charges. Any significant instances of noncompliance with laws and regulations identified during our review are reported in the Observations and Recommendations section of this report.

VI. Views of Responsible Officials

An exit conference was held at the Department of Corrections administrative office on August 17, 2005. Attending were Tom Campbell, Phil Coombs, Sergeant Meriwether, Harriet McEachern, and Donny Goodman representing Corrections; Mike Norman, Mary Ann Wheatley, and Kimberly Bates representing Internal Audit. Final audit results were discussed.

The views of Corrections officials are included as responses in the Observations and Recommendations section of the report. The responses indicate a commitment to addressing the issues noted.

Observations and Recommendations

Scope

The Department of Correction's procedures for administering inmate account activity were reviewed. This included the procedures used to administer routine collection of inmate funds, as well as additional deposits and withdraws from the account. Applicable Corrections personnel were interviewed in order to gain a thorough understanding of the various processes.

Inmate account activity for four days during the month of April 2005 was selected for review. Specifically, the activity reports for all shifts for each day were reviewed for appropriateness, as well as corresponding deposit documentation. In addition, monthly inmate account activity reports for April 2005 were reviewed for appropriateness. This included activity for home incarceration, work aid pay, rent payments, commissary charges, booking fees, and GED testing. The reports were reviewed to ensure appropriate payments were made or received based on the activity report totals. Individual report transactions (i.e. fees charged, etc.) were not verified for appropriateness. The results are as follows.

Observations

There were some problems noted with the administration of the Metro Corrections inmate account. As a result, the internal control structure is weakened and its effectiveness impaired. The problems are as follows:

- #1 – General Administration
- #2 – Monitoring and Reconciliation
- #3 – Community Corrections Center (CCC) Activity
- #4 – Booking Fee Activity
- #5 – Routine Activity

Details of these begin on the following page.

#1 General Administration

Some concerns were noted with the general administration of inmate account activity. As a result, the internal control structure is weakened and its effectiveness impaired. Specifics include the following.

- Though the Property Room has documented policies and procedures to provide guidance during routine processing of inmate account activity, Corrections personnel stated the policies needed to be updated. Some areas included in the policies did not appear to be consistently addressed (i.e. end of shift, overages / shortages) and some areas were not addressed at all (i.e. void transactions).
- There is not adequate segregation of duties with regards to the processing of daily activity. Station Officers are responsible for keying inmate account transactions, counting their cash drawer at the end of the day, running system activity reports, and reconciling funds to account activity.
- Accountability over funds is greatly diminished in that station Officers may work in each other's cash drawers during break / lunch periods. Though this may not be a consistent practice among all Officers, there is currently no defined process for how break / lunch periods should be handled.
- Commission checks from the commissary vendor may not be administered appropriately. Corrections receives a weekly commission check from a contracted vendor based on commissary sales. The check has been deposited into a Metro Corrections revenue account and used for department operating expenses. Per KRS 196.27, "assets and profits from the operation of private canteens shall be accounted for separately and utilized exclusively for the benefit of inmates in private prisons." It should be noted that Corrections intends to adhere to this requirement with the implementation of the fiscal 2006 budget. A separate financial center will be designated for the commissary profits and corresponding expenditures.
- Corrections does not have backup personnel designated to cover in the absence of key individuals responsible for administering inmate account activity (Property Room Sergeant / CCC Inventory Control Specialist).
- Corrections had not reimbursed the inmate account for Work Aid Pay for the month reviewed. Per Corrections personnel, the two-month delay was due to funding deficits throughout the department. The reimbursement cannot be made until additional funding allocations are received.

Recommendations

Appropriate personnel should take corrective action to address the concerns noted. Specific recommendations include the following.

- ✓ Corrections should enhance their current policies and procedures to include all pertinent information related to the processing, recording, and monitoring of inmate account activity. The policies should include sufficient detail for each job duty performed and copies of forms used. This information should be distributed to all applicable personnel and may be used as a training manual for new staff. Training of key personnel will help ensure consistent adherence to the requirements.

- ✓ The same individual should not process inmate account transactions, receive payments, run closing reports, and reconcile activity. However, staff resource constraints do not always allow complete segregation. In these situations, additional compensating controls are needed. This includes monitoring and reconciliation activities that allow oversight by other personnel.
- ✓ Ideally, only supervisory personnel would have the system capabilities to run end of the day reconciliation reports. This would ensure that those directly involved in the receipt of funds would not be aware of activity totals, which could persuade them to make adjustments to ensure that cash on hand agrees with system totals.
- ✓ Each employee processing inmate account transactions, to include relief personnel, should have their own cash drawer to work from to provide accountability over funds.
- ✓ Corrections intention to have separate financial coding for commissary profits and corresponding expenditures should ensure compliance with applicable State statutes. Appropriate personnel should ensure the coding is appropriately established in the fiscal year 2006 budget. Individuals responsible for posting activity should be made aware of the new coding and begin using it immediately.
- ✓ Backup personnel should be assigned to cover in the absence of key personnel.
- ✓ Any reimbursements to or payments from the inmate account should be processed in a timely manner. Ideally, monthly activity should be processed within thirty days of the month in which the activity occurred.

#2 Monitoring and Reconciliation

Some problems were noted with regards to monitoring and reconciliation of inmate account activity. As a result, the internal control structure is weakened and its effectiveness impaired. Examples include the following.

- The inmate bank account at Republic Bank had not been reconciled since it was opened in August 2004, nor had the old account maintained at PNC Bank. It should be noted that Corrections has had recent turnover in their Business Office staff. This, combined with a heavy workload, has prohibited reconciliations from being performed. Monitoring and reconciliation are vital internal control components.
- Outstanding inmate checks are not monitored or reconciled. Corrections does not have a policy regarding aged inmate funds (i.e. what should be done with the funds after a designated amount of time has passed). Currently, the funds for outstanding checks, no matter the date of the check, remain in the inmate bank account. Corrections may be eligible to acquire the funds after a certain period of time has passed.
- Various inmate account activity reports are periodically run so that reimbursements or payments can be verified for appropriateness. However, the activity reports were not run with a starting date / time that was congruent with the previous periods end date / time. This could allow for a gap in time where activity might go undetected, thus causing a reimbursement or payment to be incorrect.
 - All activity reports reviewed (eight) were incongruent with the previous report period. Gaps in time ranged from one minute to six days and fifteen hours.
 - CCC rent reports submitted to the Property Room Sergeant are not verified for congruency.
- Monthly Commissary activity was not reconciled for appropriateness.
 - Vendor invoices submitted to Corrections for commissary purchases made by inmates were not reconciled or verified to the inmate system to ensure the payment request appeared appropriate based on actual purchases logged in the system.
 - The commission check from the commissary vendor was not verified for appropriateness. The vendor does not submit support documentation with the commission check to document gross sales or how the commission amount was calculated.
 - It appears the commissary billing for the month reviewed was incomplete. The invoice for the final week in April was not submitted for payment.
- Some activity charged to the inmate account did not appear appropriate.
 - Invoices for GED testing were paid from the inmate account though inmates are not directly charged for the testing. Corrections personnel stated this occurred twice but it is no longer a current practice. The charges will be reimbursed to the inmate account and charged to Corrections operating account.
 - Charges for indigent kits were included in the monthly payment to the commissary vendor. Corrections personnel stated the kits should be charged to the Corrections operating account, not paid from the inmate account.

- There was no support documentation submitted with the CCC deposits that were forwarded to the Property Room Sergeant for deposit with the bank. Though CCC staff runs a system report to reconcile deposit activity, it is not a practice to provide this report to the Sergeant to support that all funds are being submitted for deposit.
- Deposit transactions made to an inmate's account through Western Union are not reconciled to ensure entry into the inmate system. When deposits are made through Western Union, Corrections receives a receipt confirmation noting pertinent information. Since Corrections staff collects no actual funds, these transactions are keyed as "internal", versus cash or money order. "Internal" transactions do not appear on daily reconciling reports and are not monitored for system entry.

Recommendations

Appropriate personnel should take corrective action to address the concerns noted. Specific recommendations include the following.

- ✓ A major component of any reporting system is proper reconciliation and monitoring. The inmate bank account should be routinely reconciled and monitored to ensure all account activity appears appropriate. Someone independent of the actual processing of activity should perform the reconciliation.
- ✓ Corrections should seek legal guidance regarding aged inmate funds. Based on the guidance received, Corrections should create a policy regarding the funds. The policy should address the tracking of outstanding checks, and the actions to be taken after a designated period of time (i.e. after 90 days, funds will be forfeited over to Corrections).
- ✓ Inmate account activity reports should be run congruently from one period to the next to ensure completeness of all activity. Activity reports should be monitored to ensure there are no gaps in time.
- ✓ Vendor invoices should be reviewed for appropriateness. Where applicable, system activity reports should be run to verify invoice amounts. Though it is not realistic that each transaction be verified, a sample selection of transactions, as well as report totals, should be reviewed for reasonableness. Routine monitoring of account activity should be performed to ensure all activity appears proper.
- ✓ Commission receipts should be verified for accuracy and agreement to contract terms. Support documentation should be submitted with the receipts to allow for proper verification.
- ✓ Where applicable, vendors should be contacted if billings do not appear to be complete or timely.
- ✓ All inmate deposit transactions should be reconciled for appropriateness. This includes even those transactions not involving a direct exchange of funds (i.e. Western Union deposits). Corrections personnel should determine the feasibility of modifying the daily reconciling reports to include all deposit activity, no matter the payment method.

#3 Community Corrections Center (CCC) Activity

The Community Corrections Center (CCC) is the facility where the inmate work release program is operated. CCC staff process the rent payments (i.e. room and board fees) for inmates participating in the program, as well as other routine transactions, such as deposits to an inmate's account. Some concerns were noted with the activity processed at CCC.

- The inmate funds collected by CCC staff are forwarded to Property Room personnel for deposit at the bank. A Corrections Transportation Officer transports the funds. The transfer of funds is not documented, thus diminishing accountability for the funds.
- The transfer of funds from CCC to the Property Room personnel for deposit with the bank appears to be an extra processing step causing unnecessary delays.
 - Five weekly deposits reviewed did not appear to be made timely (i.e. within five business days of weekly rent payments due every Friday). Days late ranged from two to six business days.
 - There were two cases where the payment to Metro Government for rent collections did not appear timely (i.e. within ten business days of weekly rent payments due every Friday). Days late ranged from one to two business days.
- There was one week where the CCC rent activity report did not agree to the corresponding deposit and payment amounts.
 - A manual notation made on the activity report indicated that an inmate had been given a refund. However, CCC staff did not key the refund in the inmate system. Rather, the Property Room Sergeant keyed it once he became aware of the situation.
 - In addition, the corresponding payment to Metro Government for the rent payments collected did not appear to be reduced by the amount of the refund. Thus indicating the refund transaction had not been keyed in the system, and resulting in a \$50 overpayment to Metro.
- All CCC rent deposits reviewed could not be verified with certainty for deposit into the inmate bank account. The rent deposits were combined with other deposits. Though support documentation was provided to indicate an actual deposit into the inmate bank account, a breakdown of the total deposit amount (i.e. CCC rent deposits versus other deposits) was not provided.

Recommendations

Appropriate personnel should take corrective action to address the concerns noted. Specific recommendations include the following.

- ✓ Corrections should evaluate their current processes for administering CCC inmate activity. The feasibility of CCC staff making bank deposits should be explored. This would lessen the amount of times funds are transferred between personnel, thus providing stronger accountability over funds and more timely deposits.

- ✓ Custody should be documented any time funds are transferred from one individual to another. It provides accountability and attestation to the amount of funds involved in a transfer.
- ✓ Policies and procedures for inmate account activity should address adjusting entries, to include who should perform the adjustments. The procedures should be used as a training tool to help guide employees in administering activity. It will provide consistency for how transactions are processed and ultimately result in more accurate system information.
- ✓ Ideally, adjusting entries should be performed by supervisory personnel, or at a minimum, they should be routinely reviewed for appropriateness.
- ✓ Any disbursements for rent payments collected should be made in a timely fashion (i.e. within ten business days of collection, assuming five days allowed for deposit and five days for payment). This will allow for the inmate account to more accurately reflect a true account balance.
- ✓ All inmate account deposits should have adequate support documentation to account for the activity being deposited. This is especially important in cases where multiple activity sources are combined in one deposit.

#4 Booking Fee Activity

Inmates are charged a \$25 booking fee upon admittance into a Corrections facility. The fees are collected from deposits made to an inmate's account and are ultimately paid to Metro Corrections. There were some concerns noted regarding the tracking of inmate booking fees. Specifics include the following.

- Corrections personnel do not have a means for identifying true booking fee collections. This is because an inmate's account in the Inmate Management System (IMS) is charged the full booking fee (\$25) upon entry into a Corrections facility. However, if an inmate does not have the funds to pay a full fee, Corrections can only collect the amount the inmate has (possibly none at all). This will leave their account with a negative balance. Though any additional deposits made to their account will essentially be reduced by the amount still owed for a booking fee, IMS does not record these as actual booking fees collected.
- Since booking fee collections could not be identified, Corrections personnel improvised by creating a monthly IMS historical account balance report to document all deposits ever made to an inmate's account. The report was created based on the assumption that if deposits to an inmates account totaled \$25 or more, then Corrections collected the full booking fee. Partial payments were assumed for deposits totaling greater than \$0 but less than \$25. Some concerns were noted with this report methodology.
 - Manual calculations are used to calculate all full and partial payments as noted on the report. Due to the size of the report, this is very inefficient and increases the likelihood of human error. Calculation errors may result in an inappropriate payment to Metro Government for booking fee activity. For the monthly activity report reviewed, the following discrepancies were noted.
 - Number of inmates released was understated by two.
 - Partial payments were overstated by \$218.
 - End result was Metro Government was overpaid \$218.
 - This method of calculation is assuming all booking fees were appropriately entered into IMS. It would not take into account any booking fee adjustments made after an inmate is released (i.e. waived payment).
 - The report is delaying payment to Metro Government since the payments are made based on *release* dates, not true collection dates.
- If an inmate is released and booked again, the inmate is charged an additional booking fee and owes for any prior outstanding balances. Corrections personnel stated it is sometimes difficult to collect outstanding balances. For example, an inmate may lie about their identity when they are booked. This is not known until further processing of the inmate (i.e. fingerprinting). At the time the inmate's record is updated / corrected, the account balance may not be consistently reviewed for appropriateness (i.e. adjusted for outstanding balances. A new account is created each time an inmate is admitted, thus requiring historical inquiries for cumulative account balances.); or the inmate may have released his / her funds to a 3rd party, thus leaving a zero balance.

Recommendations

Appropriate personnel should take corrective action to address the concerns noted. Specific recommendations include the following.

- ✓ Corrections personnel should consult with various entities (i.e. Metro IT, Corrections IT, system vendor) to determine the capabilities of the inmate system with regards to tracking booking fees. It may be necessary to alter processes, as well as system functionality, in order to best meet the needs of the department. Ideally, a system should allow for tracking of actual booking fee collections. This would allow for more accurate revenue receipts to be recorded and processed in a timely manner.
- ✓ Ideally, only one account number should be issued to an inmate (similar to a Corrections Inmate Number (CIN)). This would allow for better tracking of all account activity for an inmate, especially in the cases of multiple incarcerations / prior activity.
- ✓ Activity should not be processed on an inmate's account (i.e. withdraws) until positive identification has been completed. This would eliminate the possibility of an inmate releasing funds to a 3rd party prior to the realization that a prior balance is due to Metro.
- ✓ If it is determined that the current reporting method will continue to be used, Corrections should ensure that it is properly calculated (i.e. reviewed by multiple personnel so as to minimize the potential for human error).

#5 Routine Activity

There are various reports used in the reconciliation of daily inmate account activity. For example, the Cash Drawer Balancing Report is a system report noting deposits / releases processed at a register. It is used in the reconciliation of actual funds (i.e. cash, money orders). Activity totals from each register are manually recorded on a Property Register Review report for each shift during a day. This report notes actual deposit amounts, funds carried over to the next shift, any shortages / overages, and signatures of applicable register officers / supervisor. There were some problems noted with the review of activity reports used in daily reconciliations that are indicative of internal control weaknesses. Specifics include the following.

- There were some instances where information (release activity total, deposit activity total) noted on the Cash Drawer Balancing Report did not agree with the Property Register Review Report. The differences did not appear to result in bank deposit errors.
- There was one case where the register activity was not recorded on the Property Register Review Report, though a Cash Drawer Balancing Report indicated there was activity. It appears the activity was appropriately included in the day's deposit.
- There were two cases where information on the Property Register Review Report was inaccurate due to miscalculations. The errors, though immaterial, resulted in "overages". The funds were carried over to the next shift's starting balance as opposed to being deposited into the inmate account. (In actuality, the cash drawers appeared to be in balance in both instances.)
- There were several cases where the Property Register Review Reports were missing signatures.
 - For all twelve reports reviewed, the Supervisor did not sign where indicated.
 - In one case, the register / station officer did not sign. In another case, the accepting officer did not sign.
- For all eight release transactions reviewed, the inmate still had a \$2 remaining balance. Per Corrections personnel, the inmate system had been automatically applying a \$2 balance upon each new account created. Corrections officers were aware of the error and did not pay out the balance upon an inmate's release, thus leaving a \$2 ending balance on the inmate's account. (Corrections IT believes the system error began around the time of a system upgrade. Corrections IT contacted the system vendor and the error was resolved during this review.)
- There were a couple cases where the daily deposit activity did not appear appropriate.
 - In one case, it appears that the deposit to the inmate bank account was short by one money order (\$32.65) according to the amounts indicated on the Property Register Review Report. It appears a void transaction was performed late in the shift, as well as a correcting entry. The correcting entry, though appropriately reflected on the Cash Drawer Balancing Report and Property Register Review Report, appears to be the amount the deposit was shorted.
 - There was one case where the day's deposit did not appear timely (i.e. within five business days).

Recommendations

Appropriate personnel should take corrective action to address the concerns noted. Specifics include the following.

- ✓ Detailed policies and procedures for reconciling daily inmate account activity should exist to guide employees with routine processing. The procedures should address closing reports to run, as well as forms to complete. It may be beneficial to edit current reconciling reports to more easily identify actual register activity.
- ✓ Policies and procedures should address overages and shortages (i.e. should overages be deposited or carried over to the next shift; what, if any, disciplinary action is required for outages; and such).
- ✓ Training should be provided to all individuals involved in the processing of daily inmate activity. This will help ensure that intended procedures are understood and adhered to.
- ✓ All employees processing daily inmate account activity should sign the Property Register Review Report to indicate their agreement with activity processed and funds submitted for deposit. A supervisor should also sign the report to indicate activity was appropriately monitored and reconciled.
- ✓ All system errors should be promptly reported to Corrections IT so they can be addressed as quickly as possible.
- ✓ Daily activity should be deposited in a timely manner (i.e. within five business days). This will help ensure proper safeguarding of funds.

Department of Corrections Response

Louisville Metro Corrections has reviewed the evaluation and findings of the Office of Internal Audit. We find their opinion of the operation and administration of the inmate account to be accurate and well founded. In addition, the IMS computer software used as the accounting tool for the inmate fund operation is not programmed to provide the accounting tools we need. Taking this into consideration and the recommendations of Internal Audit, we propose to implement a corrective action plan as outlined below. Our goal is to create an effective business operation that will efficiently service the inmates as well as provide an accurate, reliable accounting system.

General Accounting Policies and Procedures and Functional Operations

- Policies and procedures are being reviewed and updated to bring them in line with current accounting requirements.
- Policies and procedures are being created for those accounting issues for which there is no policy in place.
- A review of post orders outlining daily job duties will be conducted and revised to achieve a clarification and segregation of duties.
- Additional supervisors will be assigned to each shift in order to implement a separation of duties.
- The money intake, register and deposit operations are in the process of being redesigned to achieve a better financial control structure and expedite transactions.
- Use of courier to make daily bank deposits is under consideration. Community Corrections Center is of special interest.
- Establishing Community Corrections Center as a stand-alone operation is being explored.
- Training and supervision will be provided to assure all personnel understand all policies and procedures.
- The Business Office will monitor, track and reconcile all account activity.

IMS Accounting Systems

The following are some of the changes to the IMS computer accounting software module we will be requesting to reflect a more “real time” accounting record.

- Implementation of one unique inmate number to track all inmate transactions throughout multiple incarcerations in order to capture booking fees, home incarceration fees and other miscellaneous revenue and to prevent inaccurate disbursements.
- Automatically retrieve disbursement transactions, past due and outstanding fees and credit to appropriate fund within the accounting system to reflect an accurate balance of accounts.
- Create reports with pre-programmed calculations to eliminate the risk of human error manual calculations pose.
- Create reports that will cut down on paperwork and ledger book documentation and alleviate redundant work duties that lead to error.